The Fiscal Monitor

A Publication of the Department of Finance

Highlights

April 2006: budgetary surplus of $2.6 billion

There was a budgetary surplus of $2.6 billion in April 2006, up $1.2 billion from the restated surplus of $1.5 billion in April 2005. Budgetary revenues were up $1.1 billion, while program expenses and public debt charges were each down $0.1 billion. Monthly financial results can vary significantly and are not necessarily indicative of the final results for the fiscal year as a whole.

Note to Readers:

Beginning with this Fiscal Monitor, *the monthly financial results are presented on a gross reporting basis, consistent with the presentation in Budget 2006. Previously, certain expenses were netted against budgetary revenues and certain revenues netted against expenses, as described in the March* Fiscal Monitor. *In addition, certain foundations are consolidated within the government reporting entity, as in Budget 2006. The 2005 data have been restated on a consistent basis.*

To facilitate comparison with the 2006–07 monthly results, revenues from April to December 2005 are being restated to evenly distribute the cost of the retroactive increase in the basic personal amount and the reduction of the 16-per-cent tax rate to 15 per cent for taxation year 2005. Originally, the cost of the measures was booked entirely in November 2005 ($3.7 billion for the first 11 months of 2005) and December 2005 ($0.3 billion pertaining to the month of December), following the announcement of the measures in the November 2005 Economic and Fiscal Update. *Restated revenues for April 2005 to March 2006 will reflect evenly distributed tax measures of about $0.4 billion per month. This will also have an impact on reported surpluses for these months.*

April 2006

The April 2006 budgetary surplus of $2.6 billion was $1.2 billion higher than the restated $1.5-billion surplus for April 2005.

Budgetary revenues were up $1.1 billion, or 6.0 per cent, to $19.0 billion.

- Personal income tax revenues posted a strong increase of $1.2 billion or 14.4 per cent, reflecting an extra processing cycle in April 2006 compared with April 2005 as well as higher employment and wages and salaries. In addition, April 2005 personal income tax revenues have been restated to reflect that month's portion of the cost of the retroactive tax reduction measures for taxation year 2005.
- Corporate income tax revenues were down $0.1 billion or 3.0 per cent.

- Other income tax receipts—withholdings from non-residents—rose $0.1 billion.
- Excise taxes and duties rose $0.2 billion. Goods and services tax revenues were up $0.1 billion or 5.0 per cent. Customs import duties rose $53 million, sales and excise taxes increased by $12 million and revenues from the Air Travellers Security Charge were up $2 million.
- Employment insurance (EI) premiums declined by 6.7 per cent, reflecting the decline in the premium rate from $1.95 to $1.87 per $100 of insurable earnings, effective January 1, 2006.
- Other revenues consist of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues. Consistent with the announcement in Budget 2006, this category now also includes the revenues of certain foundations. Other revenues, which are volatile on a monthly basis, were down $0.2 billion.

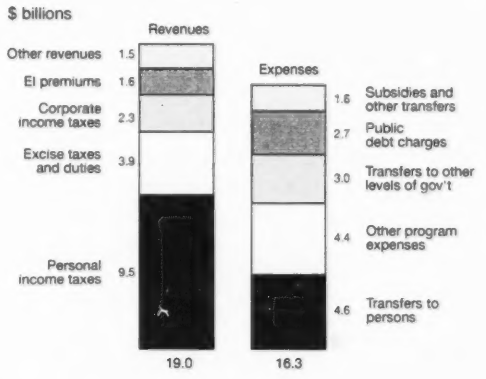
Program expenses in April 2006 were $13.6 billion, down $0.1 billion or 0.4 per cent from April 2005, primarily reflecting lower other program expenses.

Transfer payments were virtually unchanged.

- Major transfers to persons, consisting of elderly benefits, EI benefits and child tax benefits, were up $0.2 billion or 5.3 per cent. Elderly benefits increased 4.3 per cent due to both higher average benefits, which are indexed to Consumer Price Index inflation, and an increase in the number of individuals eligible for benefits. EI benefits increased 7.8 per cent, reflecting an increase in regular benefits. Child tax benefits were up 4.7 per cent.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.1 billion or 2.8 per cent, reflecting an increase in transfers in support of health and other social programs under the 2004 agreement on health care.
- Subsidies and other transfers decreased by $0.3 billion or 16.5 per cent. This component is volatile on a monthly basis.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. Consistent with the announcement in Budget 2006, this category now also includes the expenses of certain foundations. Other program expenses decreased by $49 million or 1.1 per cent.

Revenues and expenses
(April 2006)



Public debt charges decreased by $0.1 billion or 2.3 per cent, reflecting a decline in the stock of interest-bearing debt and a decrease in the average effective interest rate on that debt.

Financial requirement of $1.2 billion for April 2006

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets.

The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

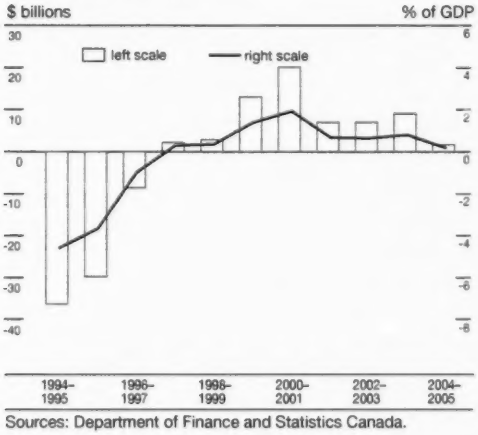
Non-budgetary transactions resulted in a net requirement of $3.9 billion in April 2006, down $2.7 billion from the $6.6-billion requirement in April 2005.

With a budgetary surplus of $2.6 billion and a net requirement of $3.9 billion from non-budgetary transactions, there was a financial requirement of $1.2 billion in April 2006, compared to a financial requirement of $5.1 billion in April 2005.

Net financing activities down $12.2 billion

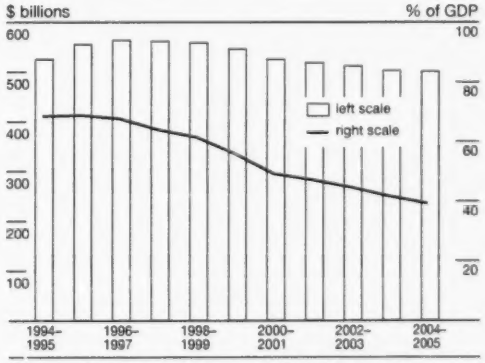
The Government reduced its net financing activities by $12.2 billion in April 2006 through a reduction of its cash balances. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of April 2006 stood at $4.5 billion.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Table 1
Summary statement of transactions

	April	
	2005	2006
	($ millions)	
Budgetary transactions		
Revenues	17,886	18,955
Expenses		
Program expenses	-13,652	-13,602
Public debt charges	-2,778	-2,714
Budgetary balance (deficit/surplus)	1,456	2,639
Non-budgetary transactions	-6,550	-3,880
Financial source/requirement	-5,094	-1,241
Net change in financing activities	-8,099	-12,183
Net change in cash balances	-13,193	-13,424
Cash balance at end of period	3,931	4,508

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	April		
	2005	2006	Change
	($ millions)		(%)
Tax revenues			
Income taxes			
Personal income tax	8,317	9,511	14.4
Corporate income tax	2,404	2,333	-3.0
Other income tax revenue	234	330	41.0
Total income tax	10,955	12,174	11.1
Excise taxes and duties			
Goods and services tax	2,719	2,855	5.0
Customs import duties	242	295	21.9
Sales and excise taxes	749	761	1.6
Air Travellers Security Charge	33	35	6.1
Total excise taxes and duties	3,743	3,946	5.4
Total tax revenues	14,698	16,120	9.7
Employment insurance premiums	1,753	1,636	-6.7
Other revenues	1,435	1,199	-16.4
Total budgetary revenues	17,886	18,955	6.0

Note: Totals may not sum due to rounding.

Table 3
Budgetary expenses

	April		
	2005	2006	Change
	($ millions)		(%)
Transfer payments			
Transfers to persons			
Elderly benefits	2,402	2,506	4.3
Employment insurance benefits	1,160	1,251	7.8
Child tax benefits	774	810	4.7
Total	4,336	4,567	5.3
Transfers to other levels of government			
Support for health and other social programs			
Canada Health Transfer	1,583	1,678	6.0
Canada Social Transfer	685	708	3.4
Total	2,268	2,386	5.2
Fiscal transfers	949	927	-2.3
Canada's cities and communities	0	0	n/a
Alternative Payments for Standing Programs	-254	-268	5.5
Total	2,963	3,045	2.8
Subsidies and other transfers			
Agriculture	135	74	-45.2
Foreign Affairs	266	26	-90.2
Health	103	108	4.9
Human Resources Development	117	95	-18.8
Indian and Northern Development	674	658	-2.4
Industry and Regional Development	119	108	-9.2
Other	490	521	6.3
Total	1,904	1,590	-16.5
Total transfer payments	9,203	9,202	0.0
Other program expenses			
Crown corporation and foundation expenses			
Canadian Broadcasting Corporation	205	215	4.9
Canada Mortgage and Housing Corporation	149	190	27.5
Other	414	396	-4.3
Total	768	801	4.3
Defence	816	1,034	26.7
All other departments and agencies	2,865	2,565	-10.5
Total other program expenses	4,449	4,400	-1.1
Total program expenses	13,652	13,602	-0.4
Public debt charges	2,778	2,714	-2.3
Total budgetary expenses	16,430	16,316	-0.7

Note: Totals may not sum due to rounding.

Table 4

Budgetary balance and financial source/requirement

	April	
	2005	2006
	($ millions)	
Budgetary balance (deficit/surplus)	1,456	2,639
Non-budgetary transactions		
Capital investing activities	108	-25
Other investing activities	-407	555
Pension and other accounts	-568	222
Other activities		
Accounts payable, receivables, accruals and allowances	-6,818	-5,952
Foreign exchange activities	878	1,058
Amortization of tangible capital assets	257	262
Total other activities	-5,683	-4,632
Total non-budgetary transactions	-6,550	-3,880
Net financial source/requirement	-5,094	-1,241

Note: Totals may not sum due to rounding.

Table 5

Financial source/requirement and net financing activities

	April	
	2005	2006
	($ millions)	
Net financial source/requirement	-5,094	-1,241
Net increase (+)/decrease (-) in financing activities		
Unmatured debt transactions		
Canadian currency borrowings		
Marketable bonds	-1,109	303
Treasury bills	-5,700	-10,500
Canada Savings Bonds	-61	-83
Other	0	-61
Total	-6,870	-10,341
Foreign currency borrowings	-1,229	-1,828
Total	-8,099	-12,169
Obligations related to capital leases	0	-14
Net change in financing activities	-8,099	-12,183
Change in cash balance	-13,193	-13,424

Note: Totals may not sum due to rounding.

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